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# Senior Services News

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**TO:** Providers of Pharmaceutical Services – **For Action**  
Physicians, Dentists, Podiatrists, Certified Nurse  
Practitioners/Clinical Nurse Specialists, Optometrists, Independent  
Clinics, and Health Maintenance Organizations – **For Information  
Only**

**SUBJECT:** **Responsibilities of Pharmaceutical Assistance to the Aged and  
Disabled (PAAD) Program Participating Pharmacy Providers  
with Regard to PAAD's Medicare Recovery Initiative.**

**EFFECTIVE:** **Immediately**

**PURPOSE:** To delineate the responsibilities of providers of pharmaceutical services to Pharmaceutical Assistance to the Aged and Disabled (PAAD) beneficiaries concerning PAAD's Medicare Recovery initiative and to respond to concerns expressed by the pharmacy community. PAAD participating pharmacies are required to enroll as Medicare Part B suppliers pursuant to P.L.2001, c. 130, and to authorize PAAD to act as their billing agent with regard to claims that are covered under both PAAD and Medicare.

**ACTION:** Pharmacy providers must comply with the following provisions to continue their participation in the PAAD Program.

**Medicare recovery procedure:**

PAAD acts as the billing agent of its pharmacy providers to Medicare for dually eligible claims so that it may recover the cost of claims that are covered under both PAAD and Medicare Part B.

1. The prescription claim is sent electronically to PAAD by the pharmacy in accordance with the standards established by PAAD and in a manner similar to any other PAAD on-line prescription.
2. PAAD processes the claim and makes payment to the pharmacy in accordance with the usual PAAD procedures.
3. PAAD then maps the claim information from the National Council for Prescription Drug Programs (NCPDP) standard used by Unisys into the National Standard Format (NSF) and forwards the claim electronically to the Durable Medical

Equipment Regional Carrier (DMERC) Region A for processing and payment by Medicare.

4. Medicare makes payment of its allowable amount to the pharmacy, minus any applicable co-insurance payment, and sends a copy of the remittance advice to PAAD.
5. Based upon the Medicare remittance advice, PAAD recaptures the Medicare payment from the pharmacy on subsequent billing cycle(s) and provides claim-specific recapture information on subsequent remittance advice statements.

**Obligations of the pharmacy supplier:**

1. To make a good faith effort to establish and maintain enrollment as a Medicare Part B supplier.
2. To abide by Medicare documentation requirements as outlined in the Medicare Supplier Manual, as well as all other applicable federal laws, regulations and provisions.
3. To designate PAAD as its agent in all matters related to submission of dually eligible PAAD/Medicare Part B claims via the submission of a duly completed EDI Enrollment Form to PAAD.
4. To cooperate with PAAD in resolving any claim or billing discrepancies that may occur and to provide requested details in a timely manner regarding any specific claim under review by PAAD or Medicare.

**Representatives of the New Jersey Pharmacy Providers Coalition (Coalition) have extended the following assurances:**

1. The Coalition will encourage its member pharmacy suppliers to comply with PAAD and Medicare requirements to facilitate the management of dually eligible PAAD/Medicare claims.
2. The Coalition will encourage its member pharmacy suppliers to cooperate with PAAD in:
  - a. Resolving any claim or billing discrepancies that may occur, and
  - b. Providing requested details in a timely manner regarding any individual claim under review.

**Medicare Documentation Requirements:**

- There are four main categories of drugs and supplies that are dually eligible for PAAD and Medicare Part B: diabetic supplies, oral cancer drugs, drugs used for organ transplants (Immunosuppressive drugs), and solutions for nebulizers. Bronchodilator inhalers such as Proventil are not included in the latter category. See chapters 19.1, 19.2, and 19.3 of the Medicare Supplier Manual for guidelines on cancer and transplant drugs.

- Every enrolled Medicare supplier receives a copy of the Medicare Supplier Manual. Additional manuals can be ordered for \$50.00 each from Health Now NJ Inc., PO Box 5251, Binghamton, NY 13902, Attn: PET – Program Education Training (include in your order the name of the pharmacy, supplier number, contact person, and number of copies being ordered).
- Medicare regulations require a diagnosis code on the original order from the physician. The only permissible representation of diagnosis is an ICD-9 code. Diabetic patients need to be further qualified as insulin-dependent or non-insulin-dependent. You can obtain a telephone prescription with verbal diagnosis but this must be followed up with a written order from the doctor for you to maintain on file in case of audit.
- If the initial order for a prescription is for more than the PAAD limit of a 34-day supply, you may dispense the 34-day supply but must obtain a new prescription from the physician for your files.
- Supplies such as diabetic test strips that are pre-packaged in boxes of specified quantities do not need to be broken up to comply with the 34-day limit – PAAD will waive the limit and follow Medicare dispensing guidelines for such supplies.
- Refills whose original order was dispensed prior to May 1, 2001 need a new order containing a diagnosis code for your records.

#### **Other issues:**

- PAAD has received confirmation from the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration) that it will not require its enrolled pharmacy suppliers to collect Medicare co-payments from PAAD beneficiaries for dually-eligible PAAD/Medicare claims. PAAD's payment to the pharmacies over and above the Medicare-allowable amount will cover the required copayment.
- The point-of-sale system does not presently have the ability to capture the diagnosis code for claims as required by Medicare. Therefore, PAAD's medical exception process carrier, First Health, will initially capture diagnosis information by telephone. PAAD will assist its participating pharmacies in attesting to provider records as they pertain to diagnosis code discrepancies associated with non-electronic transmission. PAAD is developing software adjustments that will allow electronic entry of diagnosis codes in the future.
- PAAD is also developing real-time edits to allow the identification of beneficiaries and medical supplies that are covered by both PAAD and Medicare, so that participating pharmacy providers will have notice of those claims that are subject to Medicare documentation requirements.

- PAAD and its contract vendors maintain strict confidentiality measures with regard to beneficiary and claims records. These measures will continue for the Medicare recovery program as for all other PAAD operations.
- PAAD will not bar pharmacies from participating in the PAAD program whose Medicare Part B supplier number has been inactivated by the National Supplier Clearinghouse (NSC); however, affected pharmacies must make a good faith effort to reinstate their active status and are required to provide PAAD with proof of NSC reapplication.
- PAAD reserves the right to modify the Medicare recovery process for the purposes of:
  1. Continued compliance with Medicare guidelines and all other applicable federal and state laws, regulations and provisions;
  2. Improvement of operational efficiency;
  3. Adherence to the limitations of existing technology; and
  4. Benefiting from subsequent technological improvements.

**For further information:**

Any questions or comments concerning these requirements may be directed to Beth Ann Strom at 609-588-7146 or [estrom@doh.state.nj.us](mailto:estrom@doh.state.nj.us).

**Coming soon:** Check the Department of Health and Senior Services' web site at [www.state.nj.us/health/seniorbenefits/index.html](http://www.state.nj.us/health/seniorbenefits/index.html) for information concerning the Medicare recovery initiative - including copies of PAAD regulations, past newsletter editions, and links to Medicare forms and resources.

Pharmacies may also refer to the following newsletter editions for further information on the Medicare recovery program: *Senior Services News*, July 2000 (Volume 4, Number 2); *Senior Services News*, August 2000 (Volume 4, Number 4); *Joint Newsletter* of the Division of Medical Assistance and Health Services (New Jersey Department of Human Services) and the Division of Senior Affairs (New Jersey Department of Health and Senior Services), October 2000 (Volume 10, Number 79); *Senior Services News*, May 2001 (Volume 5, Number 2).

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